

Thai Agro Energy Public Company Limited  
Report and interim financial statements  
For the three-month and nine-month periods ended  
30 September 2016

## **Independent Auditor's Report on Review of Interim Financial Information**

To the Shareholders of Thai Agro Energy Public Company Limited

I have reviewed the accompanying statement of financial position of Thai Agro Energy Public Company Limited as at 30 September 2016, the related statements of comprehensive income for the three-month and nine-month periods ended 30 September 2016, changes in shareholders' equity and cash flows for the nine-month period ended 30 September 2016, as well as the condensed notes to the financial statements. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*. My responsibility is to express a conclusion on this interim financial information based on my review.

### **Scope of review**

I conducted my review in accordance with Thai Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### **Conclusion**

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34 *Interim Financial Reporting*.

Saifon Inkaew

Certified Public Accountant (Thailand) No. 4434

EY Office Limited

Bangkok: 8 November 2016

**Thai Agro Energy Public Company Limited****Statement of financial position**

			(Unit: Thousand Baht)	
			As at	As at
Note	<u>30 September 2016</u>	<u>31 December 2015</u>		
			(Unaudited but reviewed)	(Audited)
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	23,576	9,102		
Current investments - open fund	945	779		
Trade and other receivables	4	182,613	201,708	
Inventories	234,040	137,609		
Advance payments for purchase of goods	49,010	578,128		
Other current assets	<u>2,438</u>	<u>20,640</u>		
<b>Total current assets</b>	<u>492,622</u>	<u>947,966</u>		
<b>Non-current assets</b>				
Property, plant and equipment	5	2,300,268	2,286,816	
Intangible assets	2,533	2,956		
Deferred tax assets	2,453	2,815		
Other non-current assets	<u>703</u>	<u>723</u>		
<b>Total non-current assets</b>	<u>2,305,957</u>	<u>2,293,310</u>		
<b>Total assets</b>	<u><u>2,798,579</u></u>	<u><u>3,241,276</u></u>		

The accompanying notes are an integral part of the financial statements.

**Thai Agro Energy Public Company Limited**

**Statement of financial position (continued)**

		(Unit: Thousand Baht)	
		As at	As at
Note	30 September 2016	31 December 2015	
	(Unaudited but reviewed)	(Audited)	
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Short-term loans from financial institutions	6	633,473	964,934
Trade and other payables		19,989	67,908
Current portion of liabilities under financial lease agreements		2,778	1,449
Current portion of long-term loan	7	180,000	180,000
Income tax payable		1,554	2,498
Provision for short-term employee benefits		2,314	2,758
Other current liabilities		22,707	15,263
<b>Total current liabilities</b>		<b>862,815</b>	<b>1,234,810</b>
<b>Non-current liabilities</b>			
Liabilities under financial lease agreements - net of current portion		4,614	4,092
Long-term loan - net of current portion	7	207,757	297,757
Provision for long-term employee benefits		1,344	1,070
<b>Total non-current liabilities</b>		<b>213,715</b>	<b>302,919</b>
<b>Total liabilities</b>		<b>1,076,530</b>	<b>1,537,729</b>
<b>Shareholders' equity</b>			
Share capital			
Registered			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000	1,000,000
Issued and fully paid up			
1,000,000,000 ordinary shares of Baht 1 each		1,000,000	1,000,000
Share premium		188,796	188,796
Capital reserve for share-based payment transactions		556	556
Retained earnings			
Appropriated - statutory reserve		100,000	100,000
Unappropriated		432,697	414,195
<b>Total shareholders' equity</b>		<b>1,722,049</b>	<b>1,703,547</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,798,579</b>	<b>3,241,276</b>

The accompanying notes are an integral part of the financial statements.

Directors

(Unaudited but reviewed)

**Thai Agro Energy Public Company Limited**

**Statement of comprehensive income**

(Unit: Thousand Baht except earnings per share expressed in Baht)

	For the three-month periods		For the nine-month periods	
	ended 30 September		ended 30 September	
Note	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Profit or loss:</b>				
<b>Revenues</b>				
Sales	585,153	638,674	1,916,012	2,001,129
Other income	<u>1,065</u>	<u>418</u>	<u>2,227</u>	<u>1,490</u>
<b>Total revenues</b>	<u>586,218</u>	<u>639,092</u>	<u>1,918,239</u>	<u>2,002,619</u>
<b>Expenses</b>				
Cost of sales	524,454	575,620	1,664,838	1,697,147
Selling expenses	1,710	3,364	7,852	7,480
Administrative expenses	<u>9,876</u>	<u>8,524</u>	<u>34,602</u>	<u>28,996</u>
<b>Total expenses</b>	<u>536,040</u>	<u>587,508</u>	<u>1,707,292</u>	<u>1,733,623</u>
<b>Profit before finance cost and income tax expenses</b>	50,178	51,584	210,947	268,996
Finance cost	<u>(8,243)</u>	<u>(10,597)</u>	<u>(29,081)</u>	<u>(38,923)</u>
<b>Profit before income tax expenses</b>	41,935	40,987	181,866	230,073
Income tax expenses	<u>(1,291)</u>	<u>(1,690)</u>	<u>(13,364)</u>	<u>(14,834)</u>
<b>Profit for the period</b>	<u>40,644</u>	<u>39,297</u>	<u>168,502</u>	<u>215,239</u>
<b>Other comprehensive income</b>				
<b>Other comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>	<u>40,644</u>	<u>39,297</u>	<u>168,502</u>	<u>215,239</u>
<b>Earnings per share</b>				
9				
<b>Basic earnings per share</b>				
Profit	<u>0.041</u>	<u>0.039</u>	<u>0.169</u>	<u>0.215</u>
<b>Weighted average number of ordinary shares</b>				
(Thousand shares)	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Agro Energy Public Company Limited**

**Statement of changes in shareholders' equity**

**For the nine-month period ended 30 September 2016**

(Unit: Thousand Baht)

	Issued and fully paid up share capital	Share premium	Capital reserve for share-based payment transactions	Retained earnings		Total
				Appropriated - statutory reserve	Unappropriated	
<b>Balance as at 1 January 2015</b>	1,000,000	188,796	556	100,000	319,819	1,609,171
Profit for the period	-	-	-	-	215,239	215,239
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	215,239	215,239
Dividend paid (Note 10)	-	-	-	-	(150,000)	(150,000)
<b>Balance as at 30 September 2015</b>	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>385,058</u>	<u>1,674,410</u>
<b>Balance as at 1 January 2016</b>	1,000,000	188,796	556	100,000	414,195	1,703,547
Profit for the period	-	-	-	-	168,502	168,502
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	168,502	168,502
Dividend paid (Note 10)	-	-	-	-	(150,000)	(150,000)
<b>Balance as at 30 September 2016</b>	<u>1,000,000</u>	<u>188,796</u>	<u>556</u>	<u>100,000</u>	<u>432,697</u>	<u>1,722,049</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Agro Energy Public Company Limited**

**Statement of cash flows**

**For the nine-month period ended 30 September 2016**

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Profit before tax	181,866	230,073
Adjustments to reconcile profit before tax to net cash provided by (paid from) operating activities:		
Depreciation and amortisation	93,092	90,389
Loss from write-off machines and equipments	-	290
Gain on sales of vehicle	(523)	(446)
Gain on sales of current investments	(166)	(318)
Provision for long-term employee benefits	958	318
Interest income	(122)	(136)
Interest expenses	<u>28,956</u>	<u>38,779</u>
Profit from operating activities before changes in operating assets and liabilities	304,061	358,949
Operating assets (increase) decrease		
Trade and other receivables	19,140	(33,361)
Inventories	(96,431)	(341,020)
Advance payments for purchase of goods	529,118	612,758
Other current assets	18,202	33,564
Other non-current assets	20	-
Operating liabilities increase (decrease)		
Trade and other payables	(47,581)	(24,956)
Other current liabilities	6,596	5,954
Provision for long-term employee benefits	<u>(1,127)</u>	<u>(597)</u>
Cash from operating activities	731,998	611,291
Cash received from interest income	77	101
Cash paid for interest expenses	(27,721)	(38,624)
Corporate income tax	<u>(13,945)</u>	<u>(3,105)</u>
<b>Net cash from operating activities</b>	<u>690,409</u>	<u>569,663</u>

The accompanying notes are an integral part of the financial statements.

(Unaudited but reviewed)

**Thai Agro Energy Public Company Limited**

**Statement of cash flows (continued)**

**For the nine-month period ended 30 September 2016**

(Unit: Thousand Baht)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from investing activities</b>		
Acquisitions of property, plant and equipment	(102,834)	(30,831)
Acquisitions of current investments	(515,000)	(642,000)
Acquisitions of intangible assets	(179)	(1,713)
Proceeds from sales of vehicle	523	446
Proceeds from sales of current investments	515,000	642,000
Cash received from government grants	-	4,872
<b>Net cash used in investing activities</b>	<u>(102,490)</u>	<u>(27,226)</u>
<b>Cash flows from financing activities</b>		
Decrease in short-term loans from financial institutions	(331,461)	(305,820)
Cash paid from liabilities under financial lease agreements	(1,984)	(1,008)
Repayment of long-term loan	(90,000)	(90,000)
Cash paid for dividend	<u>(150,000)</u>	<u>(150,000)</u>
<b>Net cash used in financing activities</b>	<u>(573,445)</u>	<u>(546,828)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	14,474	(4,391)
Cash and cash equivalents at beginning of period	<u>9,102</u>	<u>22,261</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>23,576</u></u>	<u><u>17,870</u></u>
<b>Supplementary cash flows information</b>		
Non-cash related transaction from investing activities		
Decrease in accounts payable from purchases of equipment and intangible assets	(339)	(8,559)
Acquisition of equipment under financial lease agreements	3,447	-

The accompanying notes are an integral part of the financial statements.

## **Thai Agro Energy Public Company Limited**

### **Notes to interim financial statements**

**For the three-month and nine-month periods ended 30 September 2016**

#### **1. General information**

##### **1.1 Corporate information**

Thai Agro Energy Public Company Limited (“the Company”) was incorporated as a limited company and domiciled in Thailand and was transformed to be a public limited company under Thai laws on 18 October 2007. Its parent company is Lanna Resources Public Co., Ltd., which is a public limited company incorporated in Thailand. The Company operates in Thailand and is principally engaged in production and distribution of ethanol for fuel. The registered office of the Company is at 888/114, Ploenchit Road, Lumpini, Pathumwan, Bangkok.

##### **1.2 Basis of preparation of interim financial statements**

These interim financial statements are prepared in accordance with Accounting Standard No. 34 (revised 2015) *Interim Financial Reporting*, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, comprehensive income, changes in shareholders’ equity, and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language interim financial statements.

##### **1.3 New financial reporting standards**

During the period, the Company has adopted the revised and new financial reporting standards and accounting treatment guidance issued by the Federation of Accounting Professions which become effective for fiscal years beginning on or after 1 January 2016. These financial reporting standards were aimed at alignment with the corresponding International Financial Reporting Standards, with most of the changes directed towards revision of wording and terminology, and provision of interpretations and accounting guidance to users of standards. The adoption of these financial reporting standards does not have any significant impact on the Company’s financial statements.

(Unaudited but reviewed)

## 2. Significant accounting policies

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2015.

## 3. Related party transactions

During the periods, the Company had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on agreed upon between the Company and those related parties.

(Unit: Thousand Baht)

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September		Transfer Pricing Policy
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<u>Transactions with parent company</u>					
Dividend paid	51,000	51,000	76,500	76,500	Declared rate

### Directors and management's benefits

During the three-month and nine-month periods ended 30 September 2016 and 2015, the Company had employee benefit expenses payable to its directors and management as below.

	For the three-month periods ended 30 September		For the nine-month periods ended 30 September	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Short-term employee benefits	5,334	4,814	17,904	17,788
Post-employment benefits	179	76	576	860
Total	<u>5,513</u>	<u>4,890</u>	<u>18,480</u>	<u>18,648</u>

## 4. Trade and other receivables

(Unit: Thousand Baht)

	30 September 2016	31 December 2015
	Trade accounts receivable	181,210
Other receivables	1,403	1,369
Total trade and other receivables	<u>182,613</u>	<u>201,708</u>

The outstanding balances of trade accounts receivable as at 30 September 2016 amounting to Baht 181.2 million (31 December 2015: Baht 200.3 million) are undue trade accounts receivable.

## 5. Property, plant and equipment

Movements in the property, plant and equipment account during the nine-month period ended 30 September 2016 are summarised below.

	(Unit: Thousand Baht)
Net book value as at 31 December 2015	2,286,816
Acquisitions during the period - at cost	105,958
Depreciation for the period	<u>(92,506)</u>
Net book value as at 30 September 2016	<u><u>2,300,268</u></u>

As at 30 September 2016, the Company has motor vehicles under financial lease agreements with net book values amounting to Baht 8.9 million (31 December 2015: Baht 5.5 million).

The Company has mortgaged part of its land and construction thereon and machinery with net book value as at 30 September 2016 amounting to approximately Baht 1,113.8 million (31 December 2015: Baht 1,143.4 million) as collateral for short-term and long-term loans and credit facilities granted by a commercial bank as discussed in Note 6 and 7.

## 6. Short-term loans from financial institutions

	(Unit: Thousand Baht)			
	Interest rate (percent per annum)			
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
Promissory notes	2.85	3.10 - 3.30	242,530	862,956
Trust receipts	2.85	3.10	<u>390,943</u>	<u>101,978</u>
Total			<u><u>633,473</u></u>	<u><u>964,934</u></u>

Short-term loans from financial institutions are secured by the mortgage of part of the Company's land and construction thereon and machinery as discussed in Note 5.

(Unaudited but reviewed)

## 7. Long-term loan

	(Unit: Thousand Baht)	
	30 September 2016	31 December 2015
Long-term loan	387,757	477,757
Less: Current portion	(180,000)	(180,000)
Long-term loan - net of current portion	<u>207,757</u>	<u>297,757</u>

Movements in the long-term loan account during the nine-month period ended 30 September 2016 are summarised below.

	(Unit: Thousand Baht)
Balance as at 31 December 2015	477,757
Less: Repayment during the period	<u>(90,000)</u>
Balance as at 30 September 2016	<u>387,757</u>

On 6 November 2013, the Company entered into long-term loan agreement with a local bank, obtaining loan facilities of Baht 845 million, for the debt refinance with an another local bank. On 18 December 2013, the Company withdrew the loan for the debt refinance and repaid all of short-term and long-term loans to that local bank totaling Baht 837.8 million. The loan initially carries interest rate at THBFIX reference rate plus 1.75 percent per annum for the first year, and the interest rate increases by 0.05 percent per annum from the second to fifth year. The loan is repayable within 5 years in 10 semi-annually installments of Baht 90 million during the first to ninth year, and remaining balance is repayable in the tenth year. The repayment period is from June 2014 to December 2018. The loan is secured by the mortgage of a part of the Company's land and construction thereon and machinery as discussed in Note 5.

Subsequently, on 7 March 2014, the Company executed a memorandum attached to the long-term loan agreement made with the bank to revise certain conditions and debt service coverage ratios.

The loan agreement contains covenants that, among other things, require the Company to maintain certain financial ratios according to the agreement such as debt to equity and debt service coverage ratios at the rate prescribed in the agreement.

As at 30 September 2016 and 31 December 2015, the Company could maintain certain financial ratios as specified in the long-term loan agreement.

**8. Income tax**

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month and nine-month periods ended 30 September 2016 and 2015 are made up as follows:

	(Unit: Thousand Baht)			
	For the three-month periods ended		For the nine-month periods	
	30 September		ended 30 September	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Current income tax:</b>				
Interim corporate income tax charge	1,412	(986)	13,002	4,923
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(121)	2,676	362	9,911
<b>Income tax expenses reported in the statements of comprehensive income</b>	<u>1,291</u>	<u>1,690</u>	<u>13,364</u>	<u>14,834</u>

**9. Earnings per share**

Basic earnings per share is calculated by dividing profit for the period (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

**10. Dividend paid**

On 20 April 2015, the Annual General Meeting of the Company's shareholders passed a resolution to approved the payment of dividend in respect of operation income from BOI promoted operation for the period from July to December 2014 to the Company's shareholders for 1,000 million shares of Baht 0.05 per share, or a total of Baht 50 million. The Company paid dividend on 20 May 2015.

On 20 August 2015, Board of Director's Meeting passed a resolution to approve the payment of interim dividend in respect of operation income from BOI promoted operation for the period from 1 January 2015 to 30 June 2015 to the Company's shareholders for 1,000 million shares of Baht 0.10 per share, or a total of Baht 100 million. The Company paid such dividend on 18 September 2015.

On 18 April 2016, the Annual General Meeting of the Company's shareholders passed a resolution to approve the payment of dividend in respect of operation income from BOI promoted operation for the period from July to December 2015 to the Company's shareholders for 1,000 million shares of Baht 0.05 per share, or a total of Baht 50 million. The Company paid dividend on 18 May 2016.

On 18 August 2016, Board of Director's Meeting passed a resolution to approve the payment of interim dividend in respect of operation income from BOI promoted operation for the period from 1 January 2016 to 30 June 2016 to the Company's shareholders for 1,000 million shares of Baht 0.10 per share, or a total of Baht 100 million. The Company paid such dividend on 16 September 2016.

## **11. Segment information**

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

The one main reportable operating segment of the Company is production and distribution of ethanol-for-fuel and the single geographical area of their operations is Thailand. Segment performance is measured based on operating profit or loss, on a basis consistent with that used to measure operating profit or loss in the financial statements. As a result, all of the revenues, operating profits and assets as reflected in these financial statements pertain to the aforementioned reportable operating segment and geographical area.

## **12. Commitments and contingent liabilities**

### **12.1 Capital commitments**

As at 30 September 2016, the Company had capital commitments of approximately Baht 0.3 million relating to the construction of Biogas Burner (31 December 2015: the construction of Bio Scrubber of approximately Baht 33.3 million).

## 12.2 Operating lease commitments

The Company has entered into several lease agreements in respect of the lease of office building space and other services. The terms of the agreements are generally between 1 and 5 years.

Future minimum lease and other service payments under these operating lease and service contracts were as follows:

	(Unit: Million Baht)	
	30 September 2016	31 December 2015
	<hr/>	<hr/>
Payable:		
in up to 1 year	4.9	4.1
In over 1 year and up to 5 years	1.3	3.3

## 12.3 Long-term service and purchase commitments

- a) The Company entered into a power supply agreement with the Provincial Electricity Authority for a period of one year, commencing 21 December 2010 to 20 December 2011, and being automatically renewed for every one-year period. The Company shall pay power supply at the rate as stipulated in the agreement.
- b) The Company had commitments under the purchase of molasses agreement with 15-years duration under which the price is to be determined every 5 years commencing the first year in 2005. The price for the first three years is that stipulated in the agreement and for the fourth and fifth year, using the average actual market price of the first three years for comparison and the quantity to purchase of molasses are those stipulated in the agreement. In addition, the Company had additional two commitments under the purchase of molasses agreements with 5-years duration under which the price is to be determined before shipment in the next period and the quantity to purchase of molasses are those stipulated in the agreement.
- c) As at 31 December 2015, the Company had commitment under service agreement with regard for the engineer consulting of Baht 0.4 million.

#### **12.4 Guarantees**

As at 30 September 2016, there were outstanding bank guarantees of approximately Baht 5.1 million issued by the bank on behalf of the Company to guarantee contractual performance under the license for production and distribution of ethanol-for-fuel from the Excise Department and to guarantee contracted performance under the license for using of electric to the Provincial Electricity Authority (31 December 2015: Baht 5.1 million).

#### **13. Litigation**

In September 2011, a company sued the Company for its alleged non-compliance with the cassava chip purchase agreement dated 21 January 2011 and memorandum dated 29 April 2011, claiming a compensation for damage of Baht 186.9 million. On 8 November 2011, the Company submitted the testimony and countersued that company, claiming a compensation for damage of Baht 82.4 million. Subsequently, on 9 October 2014, the Civil Court dismissed the lawsuit filed by that company and ordered it to make payments for purchases of cassava chip that the Company paid in advance of Baht 6.9 million which together with interest expense of 7.5 percent per annum, calculated from 8 November 2014 (the countersue date) until completion of payment. In addition, that company shall pay for charges and partial lawyer fee for the Company. However, on 3 December 2014, the Company lodged an appeal with the Court of Appeal. On 9 February 2016, the Appeal Court affirmed the judgment of the Civil Court.

Subsequently, on 7 April 2016, the Company lodged an appeal with the Supreme Court. Presently, the case is under consideration of the Supreme Court. As at 30 September 2016, the Company has not received such payment; therefore, the Company has not recorded in its account.

#### **14. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's authorised directors on 8 November 2016.